



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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WENDY L. WATANABE
AUDITOR-CONTROLLER

February 11, 2014

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

A handwritten signature in blue ink, reading "Wendy L. Watanabe", is written over the printed name and title.

SUBJECT: **DEPARTMENT OF PUBLIC SOCIAL SERVICES – CONTRACTS
REVIEW**

We have completed a review of the Department of Public Social Services' (DPSS or Department) contracting practices to evaluate the Department's compliance with the County Fiscal Manual (CFM), County contracting policies, and Internal Services Department (ISD) guidelines. Our review focused on key contracting areas including solicitations, proposal evaluations, reporting, and contract monitoring. Our review included interviews with DPSS personnel, a review of contracting records, and an evaluation of DPSS' contracting procedures during Fiscal Years 2010-11 through 2012-13.

It should be noted that DPSS did not have any recent solicitations at the time of our review. As a result, we reviewed calendar years 2006 through 2008 solicitations. More recently, the Department was in the early solicitation stages for several contracts, we therefore discussed our preliminary findings/recommendations with DPSS management so they could begin to implement our recommendations in upcoming solicitations. DPSS management indicated that they have implemented many of our recommendations.

Summary of Findings

Overall, DPSS had policies and procedures that generally followed County contracting guidelines. However, we noted the following areas where DPSS management can

improve the Department's compliance with County contracting requirements:

- The Department needs to ensure that documentation supporting the contracting and monitoring process is retained and can be readily located. DPSS staff was unable to locate 28 (58%) of the 48 signed conflict of interest and/or confidentiality forms for the four solicitations reviewed. Such documentation is necessary to demonstrate that evaluators certify they are unbiased by the outcome of the contract award and should be retained according to the County's record retention policy. In addition, for one of two contracts we reviewed, DPSS staff could not locate the documentation to support that many items in the monitoring plan were actually monitored.

DPSS' attached response indicates that the Department has strengthened their guidelines to better organize and maintain documents supporting the contracting and monitoring processes to ensure documentation is readily available for review.

- The Department needs to ensure evaluation documents include space for comments and that evaluators provide comments that support their assigned scores. For all four solicitations reviewed, we noted instances where evaluators did not document comments to justify their assigned score. Supporting comments are critical to defend the Department against challenges to contract awards.

DPSS' attached response indicates that the Department standardized their procedures for providing comments when they implemented the informed averaging methodology, which took effect after the solicitations we reviewed were conducted.

- The Department needs to review and update the electronic Countywide Accounting and Purchasing System (eCAPS) monthly to ensure contract information in eCAPS is accurate. At the time of our review, eCAPS reports identified that DPSS had 48 expired contracts. Based on our review, 34 (71%) contracts should have been closed and 11 (23%) should have been updated to reflect contract extensions.

DPSS' attached response indicates that the Department has implemented controls for staff to review eCAPS reports monthly to ensure contract information is accurate and updated as necessary.

- The Department should ensure fixed-fee contracts specify the minimum services a contractor needs to perform to earn the fixed-fee. For example, one contractor reviewed provided only partial services but was paid the entire fee.

DPSS' attached response indicates that DPSS' current practice is to specify the minimum services a contractor needs to provide to earn a fixed-fee.

Details of these and other findings and recommendations are included in the attached report (Attachment I).

Review of Report

We discussed our report with DPSS management. The Department's attached response (Attachment II) indicates that the Department has already implemented all of the recommendations in our report.

We thank DPSS management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Robert Smythe at (213) 253-0101.

WLW:AB:RS:TK

Attachments

c: William T Fujioka, Chief Executive Officer
Sheryl L. Spiller, Director, Department of Public Social Services
Jim Jones, Director, Internal Services Department
Audit Committee
Public Information Office

DEPARTMENT OF PUBLIC SOCIAL SERVICES CONTRACTS REVIEW

Background

The Department of Public Social Services (DPSS) contracts with vendors to provide a variety of public assistance services such as childcare, case management, job placement and readiness skills, and counseling. DPSS also contracts with vendors to provide technical assistance and maintenance for DPSS' various information systems such as the Los Angeles Eligibility, Automated Determination, Evaluation and Reporting System (LEADER). DPSS' Contracts Management Division (CMD) is responsible for contract solicitation and evaluation, monitoring, and maintaining contract information in the County's databases for all contracts except information system contracts. As of February 3, 2014, DPSS had 311 contracts with an annual cost of approximately \$446 million.

At the time of our review, each section in CMD was responsible for overseeing all aspects of the contracting process for a group of contracts (i.e., developing the solicitation document, overseeing proposal evaluations, approving invoices, and monitoring contractors). DPSS has recently reorganized CMD so that each section is responsible for a specific process. For example, one section now oversees the solicitation and evaluation of all contracts, two sections monitor contracts, and another section reviews and approves contract payments. This reorganization does not affect the applicability of our recommendations.

Scope

We reviewed DPSS' contracting practices to evaluate the Department's compliance with the County Fiscal Manual (CFM), Internal Services Department's (ISD) Service Contracting Manual (SCM), and the Department's contracting policies and procedures. Our review primarily focused on the Department's processes for soliciting, evaluating, and monitoring contracts, and for recording contract information in Countywide databases. We also reviewed documentation maintained by a sample of contractors to ensure the contractors maintained sufficient documentation to support the amounts billed to DPSS.

COMMENTS AND RECOMMENDATIONS

Contract Documents

DPSS staff were unable to locate some of the solicitation and evaluation documents we requested, as noted in various sections of this report. As a result, we were unable to verify that DPSS complied with the County's contracting procedures for areas relating to the missing documents. In addition, for one solicitation, DPSS provided us evaluation documents that included draft evaluator comments, and did not realize they were not the final versions until we asked why some information was missing.

DPSS should ensure documentation that supports the contracting process is retained in the contract solicitation files and can be readily located. The Department should also ensure that any solicitation and evaluation documents that are not final versions are labeled so it is clear they are not final documents.

Recommendations

Department of Public Social Services management:

- 1. Ensure documentation that supports the contracting process is retained in the contract solicitation files and can be readily located.**
- 2. Ensure that any solicitation and evaluation documents that are not final versions are labeled so it is clear they are not final documents.**

Solicitation and Evaluation

We reviewed DPSS' solicitation process for four solicitations performed using the Request for Proposals (RFP) method. Three of the four solicitations resulted in multiple contracts covering various service areas/districts. We reviewed proposal evaluations for one of the service areas/districts for each of these three solicitations. Because DPSS had not completed any recent solicitations at the time of our review, the solicitations and evaluations discussed in this section are for solicitations completed in calendar years 2006 through 2008.

Receipts

The SCM requires departments to evaluate only those responses received before the date and time specified in the RFP. DPSS' procedures require staff to issue receipts indicating the proposer's name, date, and time of submission. However, DPSS did not always have receipts to document that the Department only accepted proposals received by the deadline.

- For one solicitation, although DPSS staff indicated they received proposals timely and had issued receipts, staff could not locate receipts for six (86%) of the seven proposals received.
- For one solicitation, DPSS had receipts showing the dates proposals were received, but did not document the time received. As a result, we were unable to determine if DPSS only accepted proposals that were submitted before the deadline. In addition, DPSS did not document the contractor's name on one receipt.
- For one solicitation, the proposal submission deadline was preprinted on the receipts as the date received. Preprinting dates on receipts can result in incorrect documentation. For example, on one of the nine receipts issued for this

solicitation, the preprinted date was crossed off and an earlier date was handwritten.

We also noted the receipts did not always include a general description of the proposal(s) received. For example, for one solicitation that allowed proposers to submit multiple proposals for various services/districts, the receipts did not indicate which services/districts the proposals were for, or how many proposals each proposer submitted. DPSS staff should document sufficient information on receipts to ensure the Department can confirm what was actually received, and retain the receipts in contract solicitation files.

Recommendations

Department of Public Social Services management:

- 3. Ensure all receipts for proposals indicate the date and time received, and do not contain a preprinted received date.**
- 4. Require staff to include sufficient information on receipts to indicate, where applicable, what proposal(s) the Department actually received, including the proposer's name, which service/district each proposal is for, and, if the receipt is for multiple proposals, how many proposals the receipt covers.**

Conflict of Interest and Confidentiality Forms

DPSS' procedures require evaluators to sign conflict of interest forms certifying the evaluator does not have an affiliation with any proposer. DPSS also requires evaluators to sign confidentiality forms agreeing to keep evaluation information confidential. DPSS management indicated that evaluators had signed these forms, but the Department was unable to locate 28 (58%) of the 48 conflict of interest and/or confidentiality forms for the four solicitations reviewed. DPSS management should ensure evaluators sign conflict of interest and confidentiality forms before evaluating proposals, and retain the forms in the contract solicitation files.

Recommendation

- 5. Department of Public Social Services management ensure evaluators sign conflict of interest and confidentiality forms before evaluating proposals, and retain the forms in the contract solicitation files.**

Pass/Fail Checklist

DPSS staff use a pass/fail checklist to determine if proposals meet the minimum requirements and are eligible to continue to the next step of the evaluation process. To ensure proposals are evaluated consistently and fairly, departments should document

the results of the pass/fail review, and provide a justification for passing a proposal that does not meet all minimum requirements. For one (25%) of the four solicitations reviewed, the Department could not locate the pass/fail checklists for any proposers in our sample. As a result, we were unable to assess DPSS' compliance with pass/fail evaluation procedures for this solicitation. For the remaining three solicitations, we noted the following.

- For all three solicitations, we noted instances where it appears one or more proposals did not meet some of the minimum requirements (i.e., some items on the pass/fail checklists were marked “no” or left blank). However, the evaluator allowed the proposals to continue to the next evaluation stage without documenting a justification for doing so.
- For all three solicitations, we noted instances where the evaluator did not sign and/or date the pass/fail checklist.
- For two of the three solicitations, some items on the pass/fail checklist do not agree with the RFP. For example, one RFP indicated that the proposer's manager must either have experience providing services or an applicable academic background. However, on the pass/fail checklist, both experience and academic background were listed as required items. The discrepancies we noted did not result in any proposals being disqualified. However, the Department should ensure that proposals are evaluated only on items as stated in the RFP.

Recommendations

Department of Public Social Services management:

- 6. Require evaluators to provide written justification for continuing to evaluate proposals that do not meet minimum solicitation requirements.**
- 7. Ensure evaluators complete all items on pass/fail checklists, and sign and date the forms.**
- 8. Ensure that pass/fail checklist criteria are consistent with requirements in the Request for Proposals.**

Evaluations

DPSS performs a formal evaluation of proposals that meet minimum requirements to determine which proposer(s) will be awarded a contract. An evaluation committee scores proposals using evaluation documents that include guidelines for determining the number of points to assign to each evaluation section. For some solicitations, evaluation committees also evaluate oral presentations for the highest ranking

proposers using an evaluation document specifically for oral presentations. Evaluators should provide comments to support the assigned scores for all scoring areas. Three of the four solicitations reviewed included oral presentations. We reviewed proposal and oral presentation evaluation documents and noted the following.

- **No comments to support the assigned score** - For all four solicitations reviewed, we noted instances where evaluators did not provide comments to support assigned scores. For example, for one section worth 30% of the total score, evaluators assigned a score of “exceeds”, and then wrote “no comments.”
- **Comments not adequate** - For all four solicitations, we noted instances where the comments did not adequately support the assigned scores for one or more sections. For example, some comments were vague, such as “the proposer generally meets or exceeds the requirements.” In addition, for two solicitations, we noted instances where the comments appear to conflict with assigned scores. For example, for one scoring item relating to an organization chart, the proposer received a score of “acceptable,” but the comments indicate that there was no organization chart.
- **Evaluation documents not fully completed** - For one of the four solicitations, the score was missing for one section. In addition, evaluators did not sign any of the evaluation documents for another solicitation.
- **No space for evaluator comments** - For all four solicitations, space was provided for comments at the end of each major scoring category, but there was no space for comments after individual scoring items. For example, for one solicitation, there were nine scoring items under the category of proposer’s methodology, but there was only space for comments at the end of the category. Having space for comments under individual scoring items facilitates the evaluators’ provision of comments for each scoring item to better support assigned scores for the category.
- **Unable to locate evaluation forms** - For one of the three solicitations that included oral presentations, the Department could not locate the oral presentation evaluation forms for any of the proposers in our sample. For another solicitation, the Department could not locate the panel consensus recommendation form, which is used after oral presentations to recommend a contract for award. We also noted that DPSS could not locate three (20%) of the 15 proposal evaluation forms for one of the four solicitations.

Recommendations

Department of Public Social Services management:

9. **Ensure evaluation documents include sufficient space for evaluator comments, and that evaluators include written comments that**

adequately support the assigned score for each section of the evaluation document.

10. **Ensure evaluators fully complete evaluation documents by assigning a score in each section of the evaluation document, as required, and signing and dating the evaluation documents.**

Outreach Efforts

To ensure fair and adequate competition, solicitations need to be sufficiently advertised. County policy requires departments to post contract solicitations over \$10,000 on the County's website. In addition, DPSS' procedures require staff to post solicitations on DPSS' website, advertise in local newspapers, and mail solicitation notices to all vendors on their internal bidders list.

For three of the four solicitations reviewed, the Department was unable to locate documentation to show that the solicitations were posted on DPSS' website. For two of the three, the Department also could not provide documentation to demonstrate that the solicitations were mailed to vendors on their bidders list.

Recommendation

11. **Department of Public Social Services management ensure that outreach efforts are adequately documented.**

Reference Checks

DPSS requires proposers to submit references to allow for an assessment of potential contractors' past performance. Per DPSS' procedures, staff should make at least three attempts to contact each reference, and should document the date, time, and method of all attempts. For the four solicitations reviewed, we noted the following areas where DPSS can strengthen their reference check procedures.

- **References not scored consistently** - For one solicitation, DPSS averaged the reference scores based on the total number of required references, and assigned zero points to references DPSS was unable to contact. For another solicitation, DPSS averaged scores from the references staff were able to contact. As a result, DPSS gave two proposers the same amount of points for references, even though they were only able to contact two references for one proposer and four for the other proposer. DPSS management should provide additional guidance to staff performing reference checks to ensure consistency in scoring.
- **Insufficient documentation of reference checks performed** - For three of the four solicitations, staff did not always document the date they contacted or attempted to contact references, as DPSS' procedures require. In addition, for

one solicitation, staff did not always sign reference check forms, so there was no documentation of who performed the reference checks.

- **Missing documentation of reference checks** - For one solicitation, DPSS was unable to provide adequate documentation of reference checks for nine (60%) of the 15 proposers. For three of the nine proposers, DPSS was unable to provide any documentation of references provided or checked, and DPSS was only able to provide limited documentation for the remaining six proposers.

Recommendation

- 12. Department of Public Social Services management provide additional guidance to staff performing reference checks to ensure references are scored consistently, and that staff document who performed reference checks and the date they contacted or attempted to contact references.**

Sole Source Contracts

Board of Supervisors (Board) Policy 5.100 requires County departments to provide advance written notice to the Board of any sole source contracts of \$250,000 or more that the department plans to negotiate, and to annually report sole source contracts under \$250,000 to ISD. ISD compiles a list of all County sole source contracts under \$250,000 and submits it to the Board.

We reviewed four sole source contracts over \$250,000, and noted that DPSS provided the Board advance written notice, as required. However, for the ten sole source contracts under \$250,000 that we reviewed, DPSS did not report two (20%) contracts, totaling \$78,000, to ISD as required. DPSS indicated that this was due to an oversight, possibly because the contracts were short-term and might not have been tracked on the listing that DPSS used to prepare the report.

Recommendation

- 13. Department of Public Social Services management track all sole source contracts under \$250,000, to ensure the contracts are reported to the Internal Services Department as required by Board policy.**

Contract Reporting

CFM Section 12.4.4 and Board Policy 5.015 require departments to maintain accurate information in the electronic Countywide Accounting and Purchasing System (eCAPS) and ISD's County Contract Database (CCD). eCAPS includes contract information such as spending limits, expenditures, and expiration dates to help departments monitor contract activity. Departments are responsible for reviewing eCAPS reports monthly to ensure contract information is properly maintained and to identify contracts nearing

expiration. The CCD includes contract information for Proposition A/Living Wage, cafeteria services, information technology, and construction contracts to help other departments evaluate potential contractors/vendors for these types of contracts. Departments are required to enter contract information in the CCD within five business days of the contract award, and to complete a contractor evaluation checklist at least annually, or at the end of the contract period if it is less than one year.

We noted that 48 DPSS contracts showed in eCAPS as being expired for more than six months. DPSS indicated that three (6%) of the 48 contracts needed to be left open, but 34 (71%) should have been closed and 11 (23%) should have been updated to show the current expiration date. DPSS management should review eCAPS contract reports monthly to ensure information in eCAPS is accurate and updated as required by Board policy.

We also noted that DPSS did not enter two (25%) of the eight contracts that should have been entered in the CCD. In addition, for three (50%) of the six contracts that were entered in the CCD, DPSS completed the annual evaluation checklists more than six months after the review period had ended. Annual reviews should be completed by the end of the review period so contractor performance information is available for other departments to review. In addition, we noted that DPSS staff completed one annual review before the rating period had started, which means that the rating did not reflect contractor performance during the period. Because other departments are responsible for reviewing past contractor performance in the CCD prior to recommending contracts, DPSS should ensure all Proposition A/Living Wage, information technology, cafeteria services, and construction contracts are entered in the CCD, and ensure annual reviews are completed by the end of the review period.

Recommendations

Department of Public Social Services management:

- 14. Review the electronic Countywide Accounting and Purchasing System (eCAPS) contract reports monthly to ensure that contract information is accurate, and take corrective action as necessary.**
- 15. Ensure all Proposition A/Living Wage, information technology, cafeteria services, and construction contracts are entered in the County Contract Database.**
- 16. Ensure staff complete contractor evaluation checklists in the County Contract Database at least annually, and no later than the end of the review period.**

Contract Approvals

Contract Signatures

SCM Section 12.8 indicates that departments must retain at least one original fully executed copy of the contract. Departments should also maintain original signed contract amendments and change orders with the original executed copy of the contract.

During our review, DPSS staff had difficulty locating the original signature pages for many contracts and amendments reviewed. DPSS indicated that the title page and the original signature page of contracts were removed from the rest of the contract and maintained separately. However, the signature pages we reviewed did not always have a unique identifier to indicate the contract they belonged to. As a result, we were unable to determine which contracts the signature pages were for.

DPSS should ensure that one original fully executed copy of the contract is maintained and can be easily located. In addition, contract pages should include a unique identifier on appropriate contract pages to identify the contract.

Recommendation

- 17. Department of Public Social Services management ensure one original signed fully executed copy of the contract is maintained and can be easily located, and include a unique identifier on appropriate contract pages to identify the contract.**

Contract Monitoring

Contract monitoring is a process of evaluating contractor performance and verifying compliance with the terms and conditions of the contract. Contract monitoring is an important tool for ensuring contracted services are provided, costs billed are valid and reasonably necessary to achieve contracted services, and units of service billed are adequately documented. We reviewed various aspects of the Department's contract monitoring process and noted the following areas for improvement.

Annual Monitoring

CFM Section 12.5.0 requires departments to establish monitoring plans for each contract, and to monitor contractors' compliance with County requirements (e.g., contract terms, quality and quantity of services provided, insurance coverage, etc.). In addition, Board Policy 5.040 requires departments to evaluate contractors' performance at least annually. We reviewed two contracts and noted that DPSS had monitoring plans and monitored these contracts at least annually. However, we noted areas where DPSS can strengthen their monitoring activity.

- **Missing documentation of items monitored** - For one of the two contracts reviewed, DPSS was unable to locate documentation to support that many items in the monitoring plan were actually monitored. For example, DPSS' monitoring plan included a tool for the monitor to determine if clients were satisfied with services the contractor provided. However, DPSS was unable to locate the completed tool or any other documentation showing that customer satisfaction was monitored. As a result, we were unable to determine if DPSS monitored customer satisfaction for this contract.
- **Insufficient documentation of monitoring performed** - For one of the two contracts reviewed, the monitor did not always indicate how they monitored some items. For example, the monitor indicated that the contractor's files contained sufficient documentation that clients received the services required by the contract, but did not indicate how they determined this (e.g., what documents they reviewed, etc.). In addition, the monitoring plan included a step that was not required for the contract. However, staff did not properly document why they did not perform the monitoring step.

Recommendation

18. **Department of Public Social Services management ensure contract monitoring is properly documented to demonstrate that the monitoring was adequately performed, and ensure staff maintain the documentation in departmental files.**

Contractor Billing Documentation

In our July 13, 2012 report on DPSS' Report Management and Contract Invoicing System, we noted control weaknesses for payments to Community Services Block Grant Program (CSBG) contractors that may increase the risk of inappropriate payments going undetected. For example, DPSS did not require contractors to submit support for their invoices, and DPSS' quality assurance reviews were not sufficient to ensure that contractors maintain documentation that supports amounts billed. During this review, we examined documentation at four CSBG contractor sites to determine if contractors maintained documentation to support amounts billed to DPSS.

We reviewed one invoice that each of the four contractors submitted for services provided during one month in calendar year 2012. Overall, contractors had documentation showing that they provided at least some services to the clients listed on the invoices. However, we noted the following weaknesses in the documentation:

- Two of the four contractors did not have documentation that they provided all required services. For example, one contractor had documentation that clients had completed a job skills training course. However, the contractor did not have documentation that they provided the required follow-up support.

- Two of the four contractors did not always date documentation supporting the services provided, or indicated the wrong date. For example, one contractor did not date case notes that detail the services that were provided to each client. Therefore, we were unable to confirm that the services were provided during the invoice period.
- One contractor did not have documentation to support that they explained program benefits to 10 (67%) of the 15 participants on the invoice reviewed. As a result, clients may not have taken full advantage of available services for which the contractor was paid a fixed-fee.

In addition to the issues we noted in the contractors' documentation, we also noted weaknesses in the contract language that made it difficult to determine if the contractor provided all services required to be eligible for payment. For example:

- One contract required the contractor to provide job preparation workshops and place the client in an internship for which the contractor would pay the client a \$1,000 stipend. Two (50%) of the four clients on the invoice reviewed attended the workshops but did not complete the entire internship. One client completed part of the internship and was paid \$694. The other client did not participate in an internship and received no stipend. However, the contractor billed DPSS the full fixed-fee of \$2,985 per client. It is unclear if this was appropriate, because the contract does not specify the minimum services the contractor must provide to earn the fixed-fee.
- One contract states that the contractor is responsible for providing various housing, food, and related support services, and should bill DPSS a fixed-fee of \$312 for each client served. However, the contract does not specify minimum services the contractor needs to perform to earn the fixed-fee. Although DPSS indicated that the contractor earns the fixed-fee by providing any one of the services listed, that information is not stated in the contract.
- For two contracts, contractors provide services to clients over a period of time. The contract does not specify at what point contractors should bill DPSS. As a result, one contractor indicated that they invoice DPSS the fixed-fee when a client is enrolled in the program. Another contractor indicated that they invoice DPSS when the client completes the program.

DPSS should ensure that contracts specify the minimum services contractors must provide to earn payment, and, if services are provided over a period of time, at what point the contractor is eligible to bill DPSS. In addition, contracts should specify how (or if) contractors should invoice DPSS for partial services provided to clients. For example, DPSS should consider requiring contractors to pro-rate fixed-fees based on actual service components provided, and/or requiring contractors to return any unspent revenue (i.e., revenue received in excess of program expenditures) at the end of the contract period.

Recommendations

Department of Public Social Services management:

- 19. Require contractors to maintain documentation that adequately supports amounts billed to the Department.**
- 20. Ensure that fixed-fee contracts specify the minimum services a contractor needs to provide to earn the fixed-fee, and, if services are provided over a period of time, at what point in providing the services the contractor is eligible to bill the Department.**



SHERYL L. SPILLER
Director

County of Los Angeles
DEPARTMENT OF PUBLIC SOCIAL SERVICES


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February 3, 2014

TO: Wendy L. Watanabe
Auditor-Controller

FROM: 
Sheryl L. Spiller, Director

**SUBJECT: RESPONSE TO THE AUDITOR-CONTROLLER'S CONTRACTS
REVIEW OF THE DEPARTMENT OF PUBLIC SOCIAL SERVICES**

Attached is the Los Angeles County Department of Public Social Services' (DPSS) response to the Auditor-Controller's report on the Department of Public Social Services – Contracts Review (Attachment). The final draft report was received on January 30, 2014. The review included interviews with DPSS personnel, a review of contracting records, and an evaluation of DPSS' contract solicitations in 2006 – 2008 and other contracting procedures during Fiscal Years 2010-11 through 2012-13.

The Department implemented all the corrective actions during the review process and before the final draft report was received. As described in the attachment, DPSS has completed all 20 recommendations.

If you have any questions, please let me know or your staff may contact Andy Nguyen, at (562) 908-5879.

SLS:ab

Attachments

AUDITOR - CONTROLLER'S CONTRACTS REVIEW**DEPARTMENT OF PUBLIC SOCIAL SERVICES
RESPONSE TO RESULTS AND RECOMMENDATIONS**

Since the start of the review in February 2011, many changes have occurred in DPSS' contracting processes, including the reorganization of the Department's Contract Management Division (CMD) and new Division Manager. Although DPSS had not completed any recent solicitations at the time of the review, since 2011, DPSS has completed 22 contract procurements; ten were competitive solicitations including new competitive solicitations for three of the four solicitations reviewed. The fourth solicitation reviewed required no solicitation, due to the expiration of the associated federal funding. The solicitations reviewed were conducted between 2006 and 2008, and were not a reflection of CMD's current practices; and one solicitation was not a reflection of CMD's practices at the time of the review, as one of the four solicitations reviewed was conducted by Program staff outside of CMD. Since then, DPSS has centralized all solicitations in CMD, with the exception of information technology solicitations which are handled by specialized staff in the Bureau of Contracts and Technical Services.

Recently, DPSS was recognized for the subsequent solicitations performed for two of the four contracted programs reviewed by the A-C:

- For one solicitation, a proposer was not satisfied with the County Review Panel results which found in favor of the Department. The proposer submitted a request to the federal government who requested that the California Department of Social Services review the DPSS solicitation process. The State found that DPSS' solicitation met all State and federal requirements, and the evaluation of proposals and protest process were appropriate.
- For another solicitation, auditors from the State Department of Community Services and Development found that our solicitation process was such a good model that they are recommending it for use by other California counties.

Since the review was conducted, the Department has and continues to vigorously strengthen and streamline its contracting practices. The Department embraces working with the A-C to prudently apply the lessons learned from this report to facilitate and enhance the Department's continued compliance with the County Fiscal Manual (CFM), County contracting policies, and Internal Services Department (ISD) guidelines.

CONTRACT DOCUMENTS**RECOMMENDATIONS****Department of Public Social Services management:**

1. **Ensure documentation that supports the contracting process is retained in contract solicitation files and can be readily located.**

2. **Ensure that any solicitation and evaluation documents that are not final versions are labeled so it is clear they are not final documents.**

DPSS RESPONSE TO 1:

DPSS agrees. DPSS has always had guidelines in place and has strengthened them to better organize, maintain and retain documents supporting the contracting process to ensure documentation, including archival and historical documents, is readily available for review.

COMPLETED: July 1, 2012

DPSS RESPONSE TO 2:

DPSS acknowledges that only hard copies of tools actually used to score proposals should have been provided for review. In an attempt to be helpful, an employee not involved in the solicitation searched the division's computer share drive and inadvertently provided a work-in-progress Word version of an evaluation tool to the A-C reviewers. DPSS has taken measures to ensure that any solicitation and evaluation documents that are not final versions are labeled or identified as such.

COMPLETED: July 1, 2012

SOLICITATION AND EVALUATION

RECOMMENDATIONS

Department of Public Social Services management:

3. **Ensure all receipts for proposals indicate the date and time received, and do not contain a preprinted received date.**
4. **Require staff to include sufficient information on receipts to indicate, where applicable, what proposal(s) the Department actually received, including the proposer's name, which service/district each proposal is for, and, if the receipt is for multiple proposals, how many proposals the receipt covers.**

DPSS RESPONSE TO 3:

DPSS agrees and DPSS' current practice is to include the date and time received or to time stamp all receipts provided, and to not preprint receipt dates for any future solicitations. The preprinting of dates was an isolated incident for the GROW solicitation, one of the solicitations reviewed, to address the anticipated receipt of hundreds of proposals.

COMPLETED: July 1, 2012

DPSS RESPONSE TO 4:

DPSS agrees and DPSS' current practice is to include, where applicable, sufficient information on receipts to indicate what proposal(s) the Department actually received.

COMPLETED: July 1, 2012

CONFLICT OF INTEREST AND CONFIDENTIALITY

RECOMMENDATION

5. Department of Public Social Services management ensure evaluators sign conflict of interest and confidentiality forms before evaluating proposals, and retain the forms in the contract solicitation files.

DPSS RESPONSE TO 5:

DPSS agrees and although all of the conflict of interest/confidentiality forms could not be located for the 2006 and 2007 RFPs, measures are in place and it is DPSS' standard practice to ensure evaluators sign conflict of interest and confidentiality forms before evaluating proposals, and that the forms are retained in the contract solicitation files.

COMPLETED: July 1, 2012

PASS/FAIL CHECKLIST

RECOMMENDATIONS

Department of Public Social Services management:

6. Require evaluators to provide written justification for continuing to evaluate proposals that do not meet minimum solicitation requirements.
7. Ensure evaluators complete all items on pass/fail checklists, and sign and date the forms.
8. Ensure that pass/fail checklist criteria is consistent with requirements in the Request for Proposals.

DPSS RESPONSE TO 6:

DPSS agrees and DPSS' current practice is to require written justification.

COMPLETED: July 1, 2012

DPSS RESPONSE TO 7:

DPSS agrees and DPSS' current practice is to ensure that all items are completed and the checklists are signed. Also, the forms are reviewed for completeness and accuracy by the responsible CMD managers after they have been completed and signed by the evaluators.

COMPLETED: July 1, 2012

DPSS RESPONSE TO 8:

DPSS agrees and DPSS' current practice is to ensure the criteria are consistent with the Request for Proposals (RFP).

COMPLETED: July 1, 2012

EVALUATIONS

RECOMMENDATIONS

Department of Public Social Services management:

9. **Ensure evaluation documents include sufficient space for evaluator comments, and that evaluators include written comments that adequately support the assigned score for each section of the evaluation document.**
10. **Ensure evaluators fully complete evaluation documents by assigning a score in each section of the evaluation document, as required, and signing and dating the evaluation documents.**

DPSS RESPONSE TO 9:

This is DPSS' current practice, standardized by the informed averaging methodology that took effect after the solicitations reviewed had been conducted. At the time the solicitations were conducted, the standard was for the scoring document to include space for comments at the end of the document. Current evaluation tools include a space for comments for each section.

COMPLETED: July 1, 2012

DPSS RESPONSE TO 10:

This is DPSS' current practice, standardized by the informed averaging methodology that took effect after the solicitations reviewed had been conducted.

COMPLETED: July 1, 2012

OUTREACH EFFORTS

RECOMMENDATION

11. **Department of Public Social Services management ensure that outreach efforts are adequately documented.**

DPSS RESPONSE TO 11:

DPSS agrees and it is DPSS current practice to adequately document that vendors are notified through newspaper advertisements throughout the County, the County Webven, the DPSS contracting website, and vendors on DPSS' bidders list are mailed notification of the solicitation's release.

COMPLETED: July 1, 2012

REFERENCE CHECKS

RECOMMENDATION

12. Department of Public Social Services management provide additional guidance to staff performing reference checks to ensure references are scored consistently, and that staff document who performed reference checks and the date they contacted or attempted to contact references.

DPSS RESPONSE TO 12:

Though reference checks may be scored differently from one solicitation to the next, DPSS acknowledges that reference checks must be scored the same way for all proposers in a given solicitation. This is DPSS' current practice and management has provided additional guidance to staff performing reference checks to reinforce and strengthen this practice.

COMPLETED: July 1, 2012

SOLE SOURCE CONTRACTS

RECOMMENDATION

13. Department of Public Social Services management track all sole source contracts under \$250,000, to ensure the contracts are reported to the Internal Services Department as required by Board policy.

DPSS RESPONSE TO 13:

DPSS acknowledges that one report of sole source contracts under \$250,000 was incomplete. DPSS has reiterated existing policy to all staff and instituted internal controls to ensure all sole source contracts under \$250,000 are tracked and reported to ISD as required by Board policy.

COMPLETED: December 31, 2013

CONTRACT REPORTING

RECOMMENDATIONS

Department of Public Social Services management:

14. Review eCAPS contract reports monthly to ensure that contract information is accurate, and take corrective action as necessary.
15. Ensure all Proposition A, information technology, cafeteria, and construction contracts are entered on the County Contract Database.
16. Ensure staff complete contractor evaluation checklists in the County Contract Database at least annually, and no later than the end of the review period.

DPSS RESPONSE TO 14:

DPSS has taken the necessary action, including implementing internal controls, to ensure the appropriate DPSS contracting staff is reviewing eCAPs contract reports monthly, to ensure information is accurate and updated as necessary.

COMPLETED: December 31, 2013

DPSS RESPONSE TO 15:

DPSS has taken the necessary action, including implementing internal controls, to ensure Proposition A contract information is entered on the County Contract Database, and is updated and maintained accurately.

COMPLETED: December 31, 2013

DPSS RESPONSE TO 16:

DPSS has taken the necessary action, including implementing internal controls, to ensure staff completes contractor evaluation checklists in the County Contract Database at least annually, and no later than the end of the review period.

COMPLETED: December 31, 2013

CONTRACT APPROVALS

RECOMMENDATION

17. Department of Public Social Services management ensure one original-signed fully executed copy of the contract is maintained and can be easily located, and include a unique identifier on appropriate contract pages to identify the contract.

DPSS RESPONSE TO 17:

DPSS agrees and currently maintains one original-signed fully executed copy of the contract in a secure location and includes a unique identifier on appropriate contract pages to identify the contract.

COMPLETED: December 31, 2013

CONTRACT MONITORING

RECOMMENDATION

18. Department of Public Social Services management ensure contract monitoring is properly documented to demonstrate that the monitoring was adequately performed, and ensure staff maintain the documentation in departmental files.

DPSS RESPONSE TO 18:

DPSS agrees and has instituted internal controls, updated training material and re-trained contract managers and staff to ensure monitoring is properly documented to demonstrate that monitoring was adequately performed, and to ensure staff maintains the documentation in departmental files.

COMPLETED: January 1, 2013

CONTRACTOR BILLING DOCUMENTATION

RECOMMENDATION

Department of Public Social Services management:

- 19. Require contractors to maintain documentation that adequately supports amounts billed to the Department.**
- 20. Ensure that fixed fee contracts specify the minimum services a contractor needs to provide to earn the fixed fee, and, if services are provided over a period of time, at what point in providing the services the contractor is eligible to bill the Department.**

DPSS RESPONSE TO 19:

DPSS agrees and DPSS' current practice is to require contractors to maintain documentation that adequately supports amounts billed to the Department. Also, the current CSBG contracts have resolved the issues which were the basis for this recommendation by requiring contractors to bill a fixed fee per service unit (i.e.: hourly, per night, per food bag, etc.). This ensures that contracted services are provided, documented, and tracked to support billing. The prior CSBG contracts were the basis for this recommendation.

COMPLETED: July 1, 2013

DPSS RESPONSE TO 20:

DPSS' current practice is to specify the minimum services a contractor needs to provide to earn the fixed fee and when, if services are provided over a period of time, a contractor is eligible to bill the Department. The issues which were the basis for this recommendation were resolved in the new contracts implemented from the CSBG solicitation released in 2012 and completed in 2013. The prior CSBG contracts were the basis for this recommendation.

COMPLETED: July 1, 2013